



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
WASHINGTON, DC 20380-0001

MCO 4540.2
LMM-2-db
26 Jul 1984

MARINE CORPS ORDER 4540.2

From: Commandant of the Marine Corps
To: Distribution List

Subj: Exchange of Nonexcess Personal Property in the Department
of Defense

Ref: (a) MCO P5233.1, Automatic Data Processing (ADP)
Management Standard Manual
(b) Federal Property Management Regulations (FPMR)
(41 CFR 101-46)
(c) DoD 4160.21-M-1, Defense Demilitarization Manual
(d) DoD 7220.9-M, Defense Accounting Manual
(e) MCO P4200.15F, Marine Corps Purchasing Procedures Manual

Encl: (1) Property Eligible for Exchange
(2) Property Ineligible for Exchange
(3) Format for the Summary of Exchange Transactions Report

Report Required: Summary of Exchange Transactions (Report Control
Symbol (RCS) MC-4540-01) (External Report Symbol
IRCN 1528-GSA-AN), par. 7

1. Purpose. To implement Department of Defense (DoD) policy concerning exchange of nonexcess personal property when the exchange allowances are to be applied toward the purchase of similar new items.

2. Information. It is DoD policy to use exchange processing for replacing eligible nonexcess items. This Order implements the use of exchange authority within the Marine Corps worldwide. It shall be used to the maximum extent possible when such transactions foster the economical and efficient accomplishment of an approved program.

3. Definitions

a. Exchange (Trade-In) Property. Property not in excess to the needs of the owning activity, but eligible for replacement because of obsolescence, unserviceability, or other valid reasons, that is exchanged and applied as whole or partial payment allowance toward the acquisition of similar items.

b. Similar Items. In exchange transactions, both the item being acquired and the item being replaced must fall within one of the single generic categories listed in enclosure (1). The item being acquired must be designed and constructed for the same specific purpose as the item being replaced on a one-for-one basis.

4. Limitations

a. Any equipment, including repair parts, may be exchanged subject to the limitations below.

b. The application of exchange allowances as whole or partial payment in the acquisition of personal property is authorized only when all of the following conditions apply:

(1) The item to be exchanged is similar to the item to be acquired.

(2) The item to be exchanged is not excess, and the item to be acquired is required for approved programs.

(3) The item to be acquired replaces and performs substantially all of the functions of the item being exchanged.

(4) A written administrative determination of economic advantage has been prepared by the acquiring activity. This determination shall indicate:

(a) The anticipated economic advantage to the Government resulting from the use of the exchange authority.

(b) That exchange allowances shall be applied in payment for the items to be acquired.

(c) That, if required, the property has been rendered safe or innocuous, or has been demilitarized.

c. In documenting exchange transactions, detailed cross-reference between old and new items is not required. However, records shall be maintained which are adequate to substantiate that the items acquired were similar to the items exchanged and that any exchange allowances applied as whole or part payment for property acquired were, in fact, available for such application.

d. Exchange transactions may not be executed when items are contained in any of the Federal supply classification groups (FSCG's) listed in enclosure (2), except with the approval of the General Services Administration (GSA). Requests for waiver, with

full justification, should be submitted to the Commandant of the Marine Corps (CMC) (Code LMM-2). Headquarters Marine Corps will submit the request for waiver to the Assistant Secretary of Defense (Installations and Logistics) (ASD(I&L)) for referral to the GSA, as appropriate.

e. All automatic data processing and office automation equipment, regardless of FSCG, shall be reported to the CMC (Code CCIR) in accordance with reference (a) for subsequent reporting to the Defense Automation Resources Office, Office of the Deputy Assistant Secretary of Defense (Management Systems), Office of the Assistant Secretary of Defense (Comptroller) (OASD(C)), for screening with the GSA before exchange.

f. This Order shall not be construed to authorize:

(1) The acquisition of personal property that is not authorized by law.

(2) The acquisition of personal property in contravention of any other restrictions on procurement of commodities or any established replacement policies or standards promulgated by the President; the Congress; the Administrator, GSA; or the Secretary of Defense or designee thereof.

(3) The acquisition of personal property when procurement under a Federal Supply Schedule contract is required, except when acquired under such contract.

(4) The exchange of excess or surplus property even though otherwise eligible in connection with the acquisition of personal property.

(5) The use of exchange authority for the exchange of strategic or critical material, except as authorized by reference (b).

(6) The use of exchange authority for the exchange of Nuclear Regulatory Commission-controlled material.

(7) The exchange of controlled substances, except in accordance with reference (b).

(8) The exchange of scrap materials in connection with the acquisition of personal property.

(9) The exchange of property otherwise eligible which was acquired from another agency or DoD component as nonexcess, excess or surplus, unless that property was in use for 1 year after acquisition.

g. This Order does not apply to national stockpile materials or Defense Production Act inventory.

h. Property shall be rendered safe, innocuous, or demilitarized in accordance with reference (c).

i. Property acquired by exchange shall be recorded at acquisition cost. The credit received from the exchange is considered to be the selling price of exchanged property and is to be accounted for as a gain or loss on the sale of property in accordance with reference (d).

5. Budgeting. Credits from exchange transactions shall be taken into consideration as part of budget submissions. Total requirements, less anticipated credits, shall be used to determine net fund requirements.

6. Books and Periodicals. Marine Corps activities may exchange those books and periodicals in their libraries that are not needed for permanent use, for other books and periodicals, without monetary appraisal, detailed listing, or reporting.

7. Reports

a. Headquarters Marine Corps is required to submit an annual exchange report as of 30 September to the Director, Defense Logistics Agency, for subsequent consolidation and submission to GSA and ASD. This reporting requirement will be in the format shown in enclosure (3) and is assigned Interagency Report Control Number 1528-GSA-AN.

b. Marine Corps activities, with procurement authority in accordance with reference (e), shall submit an annual report (RCS MC-4540-01) of exchange transactions in the format shown in enclosure (3). This report shall be prepared for the 12-month period ending 30 September of each year and shall be submitted to the CMC (Code LMM-2) to arrive not later than 45 days following the close of the reporting period.

c. Books and periodicals shall not be included in the report.

8. Proposed Records Disposition Instructions. Nonexcess personal property files comprising of invitations, bids, acceptance, list of material, evidence of sales or exchanges, and related correspondence.

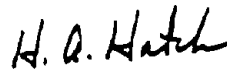
a. Transactions of more than \$10,000. Retention period: destroy 6 years after final payment. (Transfer to nearest Federal records center 2 years after final payment.)

b. Transactions of \$10,000 or less. Retention period: destroy 3 years after final payment. Close files at end of each fiscal year, except files in which actions are pending will be brought forward to next fiscal year's files for disposal therewith.

c. All other records, reports, and correspondence related to implementation of the program. Retention period: destroy when 2 years old.

9. Action. The policies and procedures promulgated by this Order are effective upon receipt.

10. Reserve Applicability. This Order is applicable to the Marine Corps Reserve.



H. A. HATCH
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PROPERTY ELIGIBLE FOR EXCHANGE

In the exchange of property in the following categories, both the item to be acquired and the item to be replaced must fall within a single number category. Categories of property that do not appear below and do not fall within an ineligible FSCG in enclosure (2), are eligible for processing if designed and constructed for the same specific purpose.

1. Agriculture products, processed foods, and forage.
2. Ammunition and ammunition components.
3. Animals and animal products.
4. Batteries, storage.
5. Cards, tabulating.
6. Ditching machines.
7. Dozer blades.
8. Drill presses.
9. Drugs, biologicals, and official reagents.
10. Earth augers.
11. Graders, self-powered and towed.
12. Lathes.
13. Machines, adding and calculating.
14. Machines, addressing and mailing.
15. Machines, dictating and transcribing.
16. Machines, duplicating.
17. Machines, punched card, bookkeeping, tabulating, and accounting.
18. Machines milling.
19. Mixers, concrete, portable, or truck-mounted.
20. Pile drivers.

ENCLOSURE (1)

21. Plows, snow, motor.
22. Road rollers, wheeled and sheepsfoot.
23. Saws, circular or band.
24. Scrapers, earthmoving, self-powered.
25. Scrapers, earthmoving, towed.
26. Sedans, station wagons, coupes, and limousines.
27. Shovels, power.
28. Spreaders, aggregate and lime.
29. Tractors, warehouse.
30. Tractors, wheeled or crawler, with or without special attachments, up to 65 hp.
31. Tractors, wheeled or crawler, with or without special attachments, 65 hp and up.
32. Trailers, general purpose, multiple axle.
33. Trailers, general purpose, single axle.
34. Trailers, tank-mounted.
35. Trucks, forklift.
36. Trucks, general purpose, cargo and construction, 12,500 gross vehicle weight (GVW) and up (including truck tractors, dump, and multiple drive).
37. Trucks, general purpose and utility, up to 12,500 GVW (including suburban, carryalls, and sedan deliveries).
38. Trucks, straddle.
39. Trucks, tank (special purpose truck on which the tank is an integral part of the construction).
40. Trucks, warehouse, platform, electric- and gasoline-powered.
41. Typewriters, manual and electric

ENCLOSURE (1)

PROPERTY INELIGIBLE FOR EXCHANGE

Items which are found in any of the following FSCG's are not eligible for handling under exchange procedures without prior approval:

- 10 Weapons
- 11 Nuclear ordnance
- 12 Fire control equipment
- 14 Guided missiles
- 15 Aircraft and airframe structural components 1/
- 16 Aircraft components and accessories 1/
- 17 Aircraft launching, landing, and ground handling equipment
- 20 Ship and marine equipment
- 22 Railway equipment
- 31 Bearings
- 32 Woodworking machinery and equipment, except lathes, milling machines, and circular or band saws
- 34 Metalworking machinery, except drill presses, lathes, milling machines, and circular or band saws
- 40 Rope, cable, chain, and fittings
- 41 Refrigeration and air-conditioning equipment
- 42 Firefighting, rescue, and safety equipment
- 44 Furnace, steam plant, and drying equipment; and nuclear reactors
- 45 Plumbing, heating, and sanitation equipment
- 46 Water purification and sewage treatment equipment
- 47 Pipes, tubing, hoses, and fittings
- 48 Valves
- 51 Handtools

ENCLOSURE (2)

- 53 Hardware and abrasives
- 54 Prefabricated structures and scaffolding
- 55 Lumber, millwork, plywood, and veneer
- 56 Construction and building materials
- 68 Chemicals and chemical products, except medicinal chemicals
- 71 Furniture
- 75 Office supplies and devices, except tabulating cards
- 83 Textiles, leather, and furs
- 84 Clothing and individual equipment.
- 1/ These line items shall be exchanged directly when the military departments rely on a contract with a manufacturer for full spare parts support for commercial-type aircraft.

FORMAT FOR THE
SUMMARY OF EXCHANGE TRANSACTIONS REPORT

RCS: MC-4540-01

Two-Digit FSCG Code	Exchanged Property Acquisition Cost, By Location		Exchanged Property Credits Received, By Location	
	1/		1/	
	Domestic	Other	Domestic	Other
23	\$4,714,758	\$365,032	\$47,150	\$3,650
39	1,090,200	123,595	10,900	1,235
74	756,687		7,500	
TOTAL	\$6,561,645	\$488,627	\$65,550	\$4,885

1/ Domestic includes the 50 States, the District of Columbia, Puerto Rico, Virgin Islands, American Samoa, Guam, and Trust Territories of the Pacific Islands.